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Decision 97-06-024 June 11, 1997

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY For Authority, Among Other Things, To Change Its Rates And Charges For Electric Service. (Electric and Gas) (U 39 M)	Application 94-12-005 (Filed November 25, 1996)

INTERIM OPINION IN 1997 RATE DESIGN WINDOW PROCEEDING

Summary

The Commission addresses two uncontested issues in Pacific Gas and Electric Company's (PG&E) 1997 Rate Design Window Proceeding: (1) providing notice to customers of possible termination on March 31, 2002 of PG&E's discount for non-firm service under the existing tariffs; and (2) codifying in PG&E's tariffs a practice used to calculate bills for approximately ten standby customers, all hydroelectric projects where it is not practical to install time-of-use (TOU) meters.

Notice of Termination of Discount for Non-Firm Service

The Utility Reform Network (TURN) requests that the Commission direct PG&E to give notice to all of its non-firm customers that it will no longer provide a discount for non-firm service under the existing tariffs after March 31, 2002, and to do so in a timely fashion such that service termination can occur on March 31, 2002, if the then-existing circumstances warrant such termination. TURN believes that these actions are necessary in light of the restructuring policy Decision (D.) 95-12-063, as modified by D.96-01-009, and Assembly Bill (AB) 1890, the recently enacted legislative package addressing restructuring issues.

PG&E currently provides service to a number of its customers, particularly industrial customers in the E-19 and E-20 classes, under tariffs that provide for interruptible or curtailable service.[1] In exchange for their willingness to have their service interrupted on short notice (and in the case of curtailable customers, on virtually no notice), these customers receive substantial discounts from the otherwise applicable tariff rates. For both E-19 and E-20 customers, the availability of the non-firm service program and the terms and conditions for that program are discussed in Section 11 of PG&E's tariff. The tariff language sets forth the notice that must be provided to PG&E by a customer wishing to leave the non-firm program, but is silent as to the notice that PG&E must provide should it wish to no longer provide service to a particular customer under that program.

Since current non-firm incentive levels are frozen at their current levels by statute until March 31, 2002,[2] TURN is concerned that this recent legislative action might result in the perception on the Commission's part that no further action need be taken during the period between now and then to provide timely notice to these customers of possible termination of the discount. Since these customers are arguably entitled to no less than three years' notice, the same as PG&E, TURN wishes to avoid a situation whereby PG&E's customers rather than its shareholders would be required to absorb any revenue shortfall resulting from failure to promptly terminate discounts after March 31, 2002, if circumstances require such action.

We agree. PG&E should give notice to all its non-firm customers that it will no longer provide a discount for non-firm service under the existing tariffs after March 31, 2002, and to do so in a timely fashion such that service termination can occur on March 31, 2002, if the then-existing circumstances warrant.

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[1] The term "non-firm" includes customers that are interruptible, curtailable, or both.
[2] AB 3153, enacted on September 23, 1996, amended § 743.1 of the Public Utilities (PU) Code to extend the already existing freeze of non-firm pricing incentives through March 31, 2002.

The Office of Ratepayer Advocates (ORA) supports PG&E's and TURN's efforts to provide notice to customers served by PG&E under the non-firm program. However, ORA has concerns about the clarity of the notice proposed by PG&E and TURN. Accordingly, to avoid possible customer confusion, ORA proposes a modification to the notice which would delete all references to possible alternatives after March 31, 2002.

On the other hand, PG&E is anxious to convey to these customers the notion that the terms of the non-firm program will be different at the end of the restructuring transition period.

TURN agrees with PG&E's concern. After adopting part of ORA's proposed language, TURN recommends the following:

> "Pursuant to the terms and conditions of the nonfirm contract, PG&E hereby gives notice that on March 31, 2002, the current nonfirm pricing incentive discount is terminated. The current level of nonfirm pricing incentives is frozen through March 31, 2002, pursuant to Public Utilities Code Section 743.1. The California Public Utilities Commission has determined in PG&E's 1997 Electric Rate Design Window proceeding (D.97-xx-xxx) that PG&E's nonfirm customers should be made aware that at the conclusion of the statutory period the current nonfirm pricing incentive will be terminated.
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> "After March 31, 2002, nonfirm pricing incentives are likely to be based primarily on market conditions and can be expected to changed significantly. This notice is not intended to give nonfirm customers the impression that nonfirm service will be of no value after March 31, 2002. Instead, this notice is intended to make clear that after March 31, 2002, the value of nonfirm service will likely be evaluated based on market principles, and will most likely differ from nonfirm incentives in effect at present."

Keeping in mind that the above notice is intended for interruptible customers, who are aware of the ongoing developments in the restructuring of the electric service industry, we believe the above notice is reasonably clear and should be adopted.

Non-TOU Metered Standby Customers

PG&E proposes to codify in its tariffs a practice used to calculate bills for a limited number of standby customers where it is not cost-effective to install a TOU meter. Out of approximately 400 total standby customers, PG&E has approximately ten standby customers, all hydroelectric projects dating from the 1920s, where the service panel is so built into plant operations and equipment that it is virtually impossible to install a TOU meter, or to do so would be at an inordinate cost.

While standby accounts on Schedule S are generally billed based on TOU energy charges, the standby tariff from July 15, 1993, through December 31, 1995, contained a provision for equivalent non-TOU energy rates until such time as a TOU meter could be installed. However, effective January 1, 1996, those equivalent flat or non-TOU energy charges were deleted from the Schedule S tariff. Accordingly, since January 1, 1996, PG&E has been billing these standby accounts without TOU meters by applying the standby TOU charges to estimated kWh usage by TOU period, where the usage by TOU period is estimated by assigning their total kWh usage to each TOU period based on a percentage breakdown using the number of hours in each TOU period in the billing cycle.

Accordingly, PG&E proposes to add the following special condition to Schedule S, Standby Service:

> "11. NON-TIME-OF-USE METERING: In those cases where the utility deems it is not cost-effective to install a time-of-use (TOU) meter, PG&E will estimate the customer's kWh usage for each TOU period, and apply all TOU charges to the estimated kWh usage by TOU period. PG&E will estimate the customer's total kWh usage in the billing period to kWh usage within each TOU period based on a percentage breakdown using the ratio of the number of hours in each TOU period to total hours in the billing period."

We agree. This new tariff language will codify the practice PG&E has used since January 1, 1996, and will avoid the need to install TOU meters where it is not cost-effective to do so. However, consistent with the intent specified in D.93-06-087 in Phase 2 of PG&E's 1993 general rate case, all standby accounts will be required to install TOU meters except for those cases where the utility deems it is not cost-effective to install a TOU meter.

Findings of Fact

1. TURN proposes that PG&E be required to give timely notice to its interruptible customers of possible termination of discounts after March 31, 2002, if then-existing circumstances warrant such termination. According to TURN, failure to give timely notice could cause ratepayers, rather than shareholders, to absorb any resulting revenue shortfall.

2. PG&E requests that it be allowed to codify in its tariffs a practice used to calculate bills for approximately ten standby customers, all hydroelectric projects where it is not practical to install TOU meters.

Conclusions of Law

1. PG&E should provide timely notice to its interruptible customers of possible termination of discounts after March 31, 2002, if then-existing circumstances warrant such termination.

2. PG&E's request to codify its current practice for billing approximately ten standby hydroelectric customers should be adopted since it is not cost- effective to install TOU meters at these installations.

INTERIM ORDER

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) shall provide notice to customers now under non-firm program contracts that these contracts will be terminated on March 31, 2002, and that the terms of the non-firm program will be different at that time. Such notice shall be as follows:

> "Pursuant to the terms and conditions of the nonfirm contract, PG&E hereby gives notice that on March 31, 2002, the current nonfirm pricing incentive discount is terminated. The current level of nonfirm pricing incentives is frozen through March 31, 2002, pursuant to Public Utilities Code Section 743.1. The California Public Utilities Commission

has determined in PG&E's 1997 Electric Rate Design Window proceeding (D.97-xx-xxx) that PG&E's nonfirm customers should be made aware that at the conclusion of the statutory period the current nonfirm pricing incentive will be terminated.

"After March 31, 2002, nonfirm pricing incentives are likely to be based primarily on market conditions and can be expected to changed significantly. This notice is not intended to give nonfirm customers the impression that nonfirm service will be of no value after March 31, 2002. Instead, this notice is intended to make clear that after March 31, 2002, the value of nonfirm service will likely be evaluated based on market principles, and will most likely differ from nonfirm incentives in effect at present."

2. PG&E is authorized to file tariff sheets to codify its current practice for billing ten standby hydroelectric customers, as set forth below.

"11. NON-TIME-OF-USE METERING: In those cases where the utility deems it is not cost-effective to install a time-of-use (TOU) meter, PG&E will estimate the customer's kWh usage for each TOU period, and apply all TOU charges to the estimated kWh usage by TOU period. PG&E will estimate the customer's total kWh usage in the billing period to kWh usage within each TOU period based on a percentage breakdown using the ratio of the number of hours in each TOU period to total hours in the billing period."

3. This proceeding shall remain open for purposes of taking evidence on the remaining contested issues in PG&E's 1997 Rate Design Window Proceeding.

This order is effective today.

Dated June 11, 1997, at San Francisco, California.

P. GREGORY CONLON
President
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners